

Legacy Advisor

April/May 2004 Issue No. 04-1

NOT-FOR-PROFIT ORGANIZATIONS

Internal Controls

As we all know, strong internal controls are vital for protecting against unauthorized financial transactions. The technology of the 21st century has provided individuals with more opportunities to initiate unauthorized financial transactions and fraud. Organizations and auditors must remain ahead of these "criminals" to prevent these transactions from occurring. Below are a few suggestions to reduce the risk of unauthorized transactions.

An effective control surrounding all accounting transactions is to limit the access of accounting software and records to authorized users. This can be accomplished by implementing a password requirement to access accounting department computers, accounting software, and electronic records. Passwords are

only effective if they are unique to the individual, not easily accessible to the rest of the staff or outsiders, and changed regularly.

Accounting software and records should be maintained on a separate server from the rest of the organization and anti-virus software should be installed on all computers. The installation CD-Roms, registration numbers, etc., for accounting software should be maintained by a responsible individual and kept in a secure location. The accounting software should be installed only on accounting department computers. Accounting data should be backed up regularly and stored in an offsite secured location. If the accounting software is utilized in a network environment with high speed internet access, installing firewall protection assists in preventing unauthorized access.

An effective control in place surrounding cash disbursements is that all cash disbursements must have documentation that supports the expenditure. The documentation should include any invoice, appropriate management approval, proof of delivery and purchase order if applicable. In addition, the accounts payable

continued on page 3



Legacy News

We started off 2004 by making two new partners of the Firm. They are Greg Wallenbecker (Chicago) and Renee Berg Speck (Munster). Congratulations to both Greg and Renee!

Legacy's Year End Tax Releases, Annual Rates & Limits Release, and News Flashes are all posted in the Publications section of the Firm's website, www.legacycpas.com. Please update your laminated 2004 Rates & Limits Release to reflect the Illinois Unemployment Tax wage base change from \$9,000 to \$9,800. This last minute change was announced on 12/29/03 and has been updated on our website. If you would like a hard copy of any of these releases, contact us at info@legacycpas.com.

We hope you enjoy this issue of Legacy Advisor. If you would like to submit an article to be published, please let us know. You can contact Julie Tucek, our Marketing Director, or our editor, Rose Doherty, CPA. We sincerely thank you for your continued support of the Firm. Please do not hesitate to contact us at any time if you need anything or if you have any feedback or suggestions for us.

*- The partners and staff of
Legacy Professionals LLP*

On the Inside...

Unclaimed Property	2
Holiday Showcase Round-Up	3
Tax-Exempt Status	3
E-Etiquette	4

LEGACY
PROFESSIONALS LLP
CERTIFIED PUBLIC ACCOUNTANTS

Unclaimed Property

Unclaimed property can have a significant impact on an organization's financial statements. With the increased attention states are giving to unclaimed property as a viable nontax revenue source coupled with the increasingly mobile nature of our society, organizations need to make sure they are complying with reporting and remittance requirements regarding unclaimed property.



Unclaimed property is defined as any liability an organization owes to an individual or entity when a debt or obligation remains outstanding after a specified period of time. For example, an uncashed payroll check or dividend check is a common type of unclaimed property.

It is important for holders of unclaimed property to make an exhaustive attempt to locate the property's rightful owner before reporting the abandoned property. Having certain policies and procedures in place to help to track potential unclaimed property amounts and comply with applicable reporting and remittance requirements of the various states is a must. Some policies might include:

- **Control all unclaimed property through separate accounts that are subject to a high level of internal control.**
- **Require that all transactions in and out of the accounts have supervisor review and approval.**
- **Capture and retain sufficient data on the name, address, and taxpayer identification number of the property owner to enable the organization to properly report the unclaimed assets to the applicable state(s).**
- **Follow up on outstanding checks and credits after six months.**

When a state unclaimed property examiner faces a lack of supporting detail, the examiner may be forced to estimate the organization's liability, which could potentially be to the organization's disadvantage. To avoid the need to estimate unclaimed properties, all organizations should adopt policies and procedures concerning record keeping, specifically how long to keep certain records. An organization should also recognize that state unclaimed property laws typically require retention periods longer than tax statutes, with ten years being the average.

Failure to comply with state unclaimed property laws can be costly to an organization and can lead to misleading financial statements. Let us know if you would like us to work with your organization to develop an action plan to ensure compliance with unclaimed property laws, as well as give it a high priority within your organization.

Visit The National Association of Unclaimed Property Administrators website at www.unclaimed.org for additional information.

Edited by Michael I. Stein, CPA

Correction

In the December 2003 issue of Legacy Advisor, Not-For-Profits, the "Preventing Fraud" article stated that under SAS 99, audits of periods beginning on or after December 15, 2003 must implement new procedures. The year of this date should have read December 15, 2002. The editor regrets the error.

Holiday Showcase Round-Up

Legacy Professionals LLP exhibited at Association Forum of Chicagoland's Holiday Showcase on Tuesday, December 16 at the Hyatt Regency in Chicago. Legacy Partners Rose Doherty and Greg Wallenbecker, along with Marketing Director Julie Tucek, represented the Firm's Not-For-Profit Team at Booth #544. Thanks to all who entered our drawing for Marshall Field's gift certificates! The winners were: Priscilla Majewski of the Knee Society, Lillian Novak of NACM Chicago Midwest, and Kyle Hillman of the NASW, Illinois Chapter. Congratulations to our winners and thanks to all who visited us at the booth. We always enjoy seeing so many clients and friends of the Firm at the Holiday Showcase!

For more information about our Not-for-Profit services or to include your colleagues on our quarterly Legacy Advisor, Not-For-Profit Organizations subscriber's list, please contact us at info@legacycpas.com.



Julie Tucek and Rose Doherty in the Legacy booth

Tax-Exempt Status

The IRS announced the publication of two new brochures – Publication 4220, “Applying for 501(c)3 Tax-Exempt Status,” and Publication 4221, “Compliance Guide for 501(c)3 Tax-Exempt Organizations” – to help charities understand the laws regarding tax-exempt status and compliance guidelines. The brochures

provide references to other IRS publications and forms, as well as special telephone numbers that organizations can call if they need specific help on more complex issues. Visit <http://www.irs.ustreas.gov/> to search for either publication.

Internal Controls

continued from page 1

personnel generating the cash disbursements should not reconcile the corresponding bank accounts. All preprinted checks (checks with the banks routing and check number preprinted) and blank check stock (checks which allow a laser printer to print all information on the check) should be securely locked with access limited to accounts payable personnel. Access to the check stock should always be supervised and logged.

As mentioned in our last issue of Legacy Advisor, Not-For-Profits, Issue 03-1 (now posted on legacycpas.com), the

Financial Accounting Standards Board (FASB) recently issued Statement on Auditing Standards No. 99 “Consideration of Fraud in a Financial Statement Audit (SAS 99).” SAS 99 now requires auditors to implement and document additional procedures to help prevent and detect fraud. These additional steps, along with the above suggestions, can assist an organization in its ongoing fight to prevent and detect fraud. Contact us if you have any questions or would like to discuss your organization’s fraud standards.

Edited by Timothy F. Cibulka, CPA



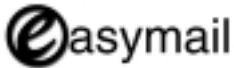
-Etiquette

As organizations conduct more and more business using e-mail, employees need to be alert to the response time to inquiries by members or customers. According to one consulting firm, customers (members) expect a response to their e-mail inquiries within 6 hours. Yet, more than half the organizations surveyed cannot meet this requirement and take up to 24 hours to respond. Even more disturbing, 24% of those questioned could not be certain that they responded at all. Obviously, in today's

competitive environment, organizations that are slow in answering e-mail inquiries are likely to lose considerable business or members.

If there is some logical reason for the delay, the customer should be phoned or sent an automatic return e-mail acknowledging receipt of the inquiry. It is also important when using e-mail to make sure that spelling, grammar, and content of the message be carefully checked to reflect the image you want people to have of your organization. E-mail us at info@legacycpas.com if you have any questions.

This publication is distributed with the understanding that the author(s), publisher and distributor are not rendering legal, accounting or other professional advice or opinions on specific facts or matters, as each individual circumstance is unique. All articles are for the exclusive and private use of our clients, prospects, and business associates. With prior approval, articles may be reprinted with proper attribution. ©Legacy Professionals LLP



Contact us at info@legacycpas.com if you'd like to receive Legacy Advisor via our email delivery program.